

**REPORT OF
MARKET CONDUCT EXAMINATION
OF
LIFE INVESTORS INSURANCE COMPANY OF
AMERICA
Cedar Rapids, Iowa**

**AS OF
October 17, 2007**

COMMONWEALTH OF PENNSYLVANIA



**INSURANCE DEPARTMENT
MARKET CONDUCT DIVISION**

Issued: December 14, 2007

LIFE INVESTORS INSURANCE COMPANY OF AMERICA

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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE: : VIOLATIONS:
: :
LIFE INVESTORS INSURANCE : Section 671-A of Act 147 of 2002
COMPANY OF AMERICA : (40 P.S. § 310.71)
4333 Edgewood Road, N.E. : :
Cedar Rapids, IA 52499 : Title 31, Pennsylvania Code, Sections
: 73.133(g) and (h), 146.6 and 146.7
: :
Respondent. : Docket No. MC07-11-022

CONSENT ORDER

AND NOW, this *12th* day of *December*, 2007, this Order is hereby issued by the Insurance Department of the Commonwealth of Pennsylvania pursuant to the statutes cited above and in disposition of the matter captioned above.

1. Respondent hereby admits and acknowledges that it has received proper notice of its rights to a formal administrative hearing pursuant to the Administrative Agency Law, 2 Pa.C.S. § 101, et seq., or other applicable law.
2. Respondent hereby waives all rights to a formal administrative hearing in this matter, and agrees that this Consent Order shall have the full force and effect of an

order duly entered in accordance with the adjudicatory procedures set forth in the Administrative Agency Law, supra, or other applicable law.

FINDINGS OF FACT

3. The Insurance Department finds true and correct each of the following Findings of Fact:

- (a) Respondent is Life Investors Insurance Company of America, and maintains its address at 4333 Edgewood Road, N.E., Cedar Rapids, Iowa 52499.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from July 1, 2005 through June 30, 2006.
- (c) On October 17, 2007, the Insurance Department issued a Market Conduct Examination Report to Respondent.
- (d) A response to the Examination Report was provided by Respondent on November 16, 2007.
- (e) The Examination Report notes violations of the following:

- (i) Section 671-A of Act 147 of 2002 (40 P.S. § 310.71), which prohibits producers from transacting business within this Commonwealth without written appointment as required by the Act;
- (ii) Title 31, Pennsylvania Code, Section 73.133(g), which requires an insurer to establish and maintain a written record of each creditor examination. This record shall be maintained for at least three years from the date of examination or until the conclusion of the next succeeding regular examination by the Department of its domicile, whichever is later;
- (iii) Title 31, Pennsylvania Code, Section 73.133(h), which requires an insurer or, at the option of the insurer, the creditor, to establish and maintain adequate credit insurance records for at least two years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums;
- (iv) Title 31, Pennsylvania Code, Section 146.6 states that if an investigation cannot be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected; and

- (v) Title 31, Pennsylvania Code, Section 146.7(a)(1), which requires within 15 working days after receipt by the insurer of properly executed proofs of loss, the first-party claimant shall be advised of the acceptance or denial of the claim by the insurer.

CONCLUSIONS OF LAW

4. In accord with the above Findings of Fact and applicable provisions of law, the Insurance Department makes the following Conclusions of Law:

- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.
- (b) Respondent's violations of Section 671-A of Act 147 of 2002 are punishable by the following, under Section 691-A of Act 147 of 2002 (40 P.S. § 310.91):
 - (i) suspension, revocation or refusal to issue the certificate of qualification or license;
 - (ii) imposition of a civil penalty not to exceed five thousand dollars (\$5,000.00) for every violation of the Act;
 - (iii) an order to cease and desist; and
 - (iv) any other conditions as the Commissioner deems appropriate.

(c) Respondent's violations of Title 31, Pennsylvania Code, Sections 73.133(g) and (h) subject the Respondent to an Order of the Commissioner, the violation of which would result in a penalty of up to \$250 and up to \$1000 for willful violation, as well as revocation or suspension of license in addition to any other penalty provided by law (40 P.S. §1007.12; 40 P.S. §1007.14).

(d) Respondent's violations of Title 31, Pennsylvania Code, Sections 146.6 and 146.7 subject Respondent to the following penalties under the Unfair Insurance Practices Act (40 P.S. §§1171.1, et seq.):

- (i) a cease and desist order (40 P.S. § 1171.9);
- (ii) suspension or revocation of the license(s) of Respondent (40 P.S. § 1171.9);
- (iii) a five thousand dollar (\$5,000) penalty for each method of competition, act or practice which Respondent knew or should have known was in violation of the law (not to exceed \$50,000 in any six month period) (40 P.S. § 1171.11);
- (iv) a one thousand dollar (\$1,000) penalty for each violation for each method of competition, act or practice which Respondent did not know nor reasonably should have known was in violation of the law (not to exceed \$10,000 in any six month period) (40 P.S. § 1171.11).

ORDER

5. In accord with the above Findings of Fact and Conclusions of Law, the Insurance Department orders and Respondent consents to the following:

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) Respondent shall file an affidavit stating under oath that it will provide each of its directors, at the next scheduled directors meeting, a copy of the adopted Report and related Orders. Such affidavit shall be submitted within thirty (30) days of the date of this Order.
- (c) Respondent shall comply with all recommendations contained in the attached Report.
- (d) Respondent shall pay Twenty Thousand Dollars (\$20,000.00) to the Commonwealth of Pennsylvania in settlement of all violations contained in the Report.
- (e) Payment of this matter shall be made by check payable to the Commonwealth of Pennsylvania. Payment should be directed to Sharon L. Fraser, Office Manager, Bureau of Enforcement, 1227 Strawberry Square, Harrisburg,

Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.

6. In the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, based upon the Findings of Fact and Conclusions of Law contained herein may pursue any and all legal remedies available, including but not limited to the following: The Insurance Department may enforce the provisions of this Order in the Commonwealth Court of Pennsylvania or in any other court of law or equity having jurisdiction; or the Department may enforce the provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

7. Alternatively, in the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, the Department may declare this Order to be null and void and, thereupon, reopen the entire matter for appropriate action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

8. In any such enforcement proceeding, Respondent may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact and Conclusions of Law contained herein.

9. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

11. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegate is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law contained herein, and this Consent Order is not effective until executed by the Insurance Commissioner or a duly authorized delegate.

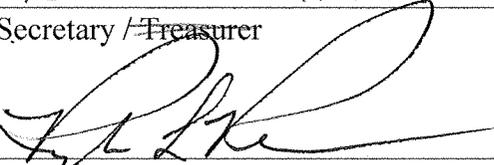
BY: LIFE INVESTORS INSURANCE COMPANY
OF AMERICA, Respondent



President / Vice President



Asst. Secretary / Treasurer



COMMONWEALTH OF PENNSYLVANIA
By: Randolph L. Rohrbaugh
Deputy Insurance Commissioner

I. INTRODUCTION

The Market Conduct Examination was conducted on Life Investors Insurance Company of America; hereafter referred to as "Company," at the Company's office located in Cedar Rapids, Iowa, December 18, 2006, through February 16, 2007. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

Pennsylvania Market Conduct Examination Reports generally note only those items, to which the Department, after review, takes exception. A violation is any instance of Company activity that does not comply with an insurance statute or regulation. Violations contained in the Report may result in imposition of penalties. Generally, practices, procedures, or files that were reviewed by Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review these areas of concern in order to determine the potential impact upon Company operations or future compliance.

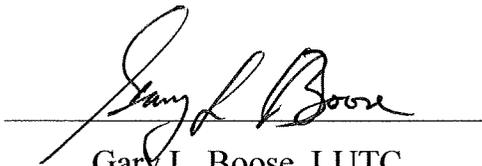
Throughout the course of the examination, Company officials were provided status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials to discuss the various types of violations identified during the examination and review written summaries provided on the violations found.

The courtesy and cooperation extended by the Officers and Employees of the Company during the course of the examination is acknowledged.

The undersigned participated in the Examination and in the preparation of this Report.

A handwritten signature in black ink, appearing to read "Dan Stemcosky", written over a horizontal line.

Daniel Stemcosky, AIE, FLMI
Market Conduct Division Chief

A handwritten signature in black ink, appearing to read "Gary L. Boose", written over a horizontal line.

Gary L. Boose, LUTC
Market Conduct Examiner

A handwritten signature in black ink, appearing to read "Michael T. Vogel", written over a horizontal line.

Michael T. Vogel
Market Conduct Examiner

Verification

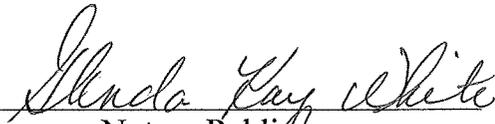
Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).



Gary L. Boose, Examiner-in-Charge

Sworn to and Subscribed Before me

This 16th Day of October, 2007



Notary Public

GLENDAY KAY WHITE
NOTARY PUBLIC STATE OF MARYLAND
My Commission Expires 10/5/08

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the experience period of July 1, 2005, through June 30, 2006, unless otherwise noted. The purpose of the examination was to determine compliance by the Company with Pennsylvania insurance laws and regulations.

The examination focused on the Company's operation in areas such as: Advertising, Consumer Complaints, Forms, Producer Licensing, Underwriting Practices and Procedures, Rating and Claim Handling Practices and Procedures.

The Company was requested to identify the universe of files for each segment of the review. Based on the universe sizes identified, random sampling was utilized to select the files reviewed for this examination.

During the course of the examination, for control purposes, some of the review segments identified in this Report may have been broken down into various sub-categories by line of insurance or Company administration. These specific sub-categories, if not reflected individually in the Report, would be included and grouped within the respective general categories of the Examination Report.

III. COMPANY HISTORY AND LICENSING

Life Investors Insurance Company of America was incorporated in the State of Iowa on September 26, 1930, as Columbia Catholic Life Insurance Company. The Company received its certificate of authority to operate in the Commonwealth of Pennsylvania on December 31, 1976. The Company is authorized to do business in all states (except New York) and the District of Columbia. The Company is also licensed in Canada and Puerto Rico.

The Company was originally incorporated as Columbia Catholic Life Insurance Company, and changed its name to Columbia Mutual Life Insurance Company on August 24, 1937. The name was again changed, effective November 1, 1961, to Greater Iowa Life Insurance Company. On December 31, 1969, the Company merged with Life Investors Insurance Company of America, and changed its name to Life Investors Insurance Company of America. Effective, June 1, 1995, Equity National Life Insurance Company merged into the Company. Bankers United Life Assurance Company merged into the Company, effective December 31, 2001. On July 1, 2006, Academy Life Insurance Company merged into the Company. The Company is now a subsidiary of AEGON USA, Inc.

The Company offers life, annuity and health insurance, in addition to a variety of credit insurance coverage including accident, health, life, and disability.

As of their 2006 annual statement for Pennsylvania, the Company reported direct premium for ordinary and group life insurance, credit life, annuity considerations and other deposit-type contract funds in the amount of \$19,773,199; and direct premium for accident and health insurance in the amount of \$7,487,009.

IV. ADVERTISING

The Company was requested to provide advertising and marketing materials used during the experience period and a certificate of authority. The Company provided the information as requested. The reviewing criteria used was to ascertain compliance with Act 205, Section 5 (40 P.S. § 1171.5), Unfair Methods of Competition and Unfair or Deceptive Acts or Practices. Also the material was reviewed for compliance with Title 31, Pennsylvania Code, Chapter 51, Title 31 Pennsylvania Code, Section 73.136(a)(c)(d)(e)(f), and Title 18, Pennsylvania Consolidated Statutes, Section 4117(k). No violations were noted.

V. FORMS

The Company was requested to provide a list and copies of all policy and/or member forms, conversion contracts, applications, riders, amendments and endorsements used during the experience period. The forms provided and forms reviewed in various underwriting sections of the exam were reviewed to ensure compliance with Insurance Company Law, Section 354 and Title 18, Pennsylvania Consolidated Statutes, Section 4117(k), Fraud notice, Title 31, Pennsylvania Code, Chapter 73, and Insurance Department Act, Section 903 (40 P.S. §323.3). The applicable sections are as follows: 73.114 insurability requirements, 73.115 benefits exclusions, 73.116 age requirements, 73.130 election of coverage and disclosure requirements, 73.133 group examination and audits and 73.136(a) approval of forms and rates. No violations were noted.

VI. PRODUCER LICENSING

The Company was requested to provide a list of all producers active and terminated during the experience period. Section 671-A (40 P.S. §310.71) of the Insurance Department Act prohibits producers from doing business on behalf of or as a representative of any entity without a written appointment from that entity. Section 641.1-A (40 P.S. §310.41a) of the Insurance Department Act prohibits a company from accepting insurance applications or securing any insurance business through anyone acting without a license. Section 671.1-A (40 P.S. §310.71a) of the Insurance Department Act requires the Company to report all producer terminations to the Department.

The Company provided a list of 2,654 active and terminated producers. A random sample of 200 producers was compared to departmental records of producers to verify appointments, terminations and licensing. In addition, a comparison was made on the 95 different producers identified on applications reviewed in the policy issued sections of the exam. The following violation was noted:

1 Violation – Insurance Department Act, No. 147, Section 671-A (40 P.S. §310.71)

- (a) Representative of the insurer. – An insurance producer shall not act on behalf of or as a representative of the insurer unless the insurance producer is appointed by the insurer. An insurance producer not acting as a representative of an insurer is not required to be appointed.
- (b) Representative of the consumer. – An insurance producer acting on behalf of or representing an insurance consumer shall execute a written agreement with the insurance consumer prior to representing or acting on their behalf that:
 - (1) Delineates the services to be provided; and

- (2) Provides full and complete disclosure of the fee to be paid to the insurance producer by the insurance consumer.
- (c) Notification to department. – An insurer that appoints an insurance producer shall file with the department a notice of appointment. The notice shall state for which companies within the insurer’s holding company system or group the appointment is made.
- (d) Termination of appointment. – Once appointed, an insurance producer shall remain appointed by an insurer until such time as the insurer terminates the appointment in writing to the insurance producer or until the insurance producer’s license is suspended, revoked or otherwise terminated.
- (e) Appointment fee. – An appointment fee of \$12.50 will be billed annually to the insurer for each producer appointed by the insurer during the preceding calendar year regardless of the length of time the producer held the appointment with the insurer. The appointment fee may be modified by regulation.
- (f) Reporting. – An insurer shall, upon request, certify to the department the names of all licensees appointed by the insurer.

The following individual was listed as a producer on an application for insurance; however Department records do not identify the individual as being appointed by the Company on the date of application.

Producer
Kenneth D. Tschopp

VII. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of consumer complaint logs for 2002, 2003, 2004, and 2005. The Company identified 27 consumer complaints received during the experience period. Of the 27 complaints identified, 5 were forwarded from the Department. A random sample of 15 complaint files was requested, received and reviewed. The Company provided complaint logs as requested.

The 4 years of complaint logs were reviewed for compliance with the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171). Section 5(a)(11) of the Act requires maintenance of a complete record of all complaints received during the preceding four (4) years. The record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of the complaint and the time it took to process each complaint. No violations were noted.

VIII. UNDERWRITING

The Underwriting review was sorted and conducted in 18 general segments.

- A. Underwriting Guidelines
- B. Credit Life and Disability Policies Issued
- C. Credit Disability Monthly Outstanding Balance Certificates Issued
- D. Credit Life Monthly Outstanding Balance Certificates Issued
- E. Credit Disability Single Premium Certificates Issued
- F. Credit Disability Single Premium Truncated Certificates Issued
- G. Credit Life Single Premium Certificates Issued
- H. Credit Life Single Premium Truncated Certificates Issued
- I. Credit Disability Single Premium Certificates Terminated
- J. Credit Disability Single Premium Certificates Terminated
- K. Credit Life Single Premium Certificates Terminated
- L. Credit Life Single Premium Truncated Certificates Terminated
- M. Term Life Policies Issued
- N. Universal Life Policies Issued
- O. Term Life Policies Issued as Replacements
- P. Universal Life Policies Issued as Replacements
- Q. Deferred Fixed Annuities Issued as Replacements
- R. Universal Life Conversions

Each segment was reviewed for compliance with underwriting practices and included forms identification and producer identification. Issues relating to forms or licensing appear in those respective sections of the Report and are not duplicated in the Underwriting portion of the Report.

A. Underwriting Guidelines

The Company was requested to provide all underwriting guidelines and manuals utilized during the experience period. The guidelines and manuals received were reviewed to ensure that underwriting guidelines were in place and being followed in a

uniform and consistent manner and that no underwriting practices or procedures were in place that could be considered discriminatory in nature, or specifically prohibited by statute or regulation. No violations were noted.

The following guidelines were reviewed:

1. Manual on-line at: <http://www.swissre.com/Underwriting Manual>
2. Legal and Market Conduct Underwriting Guidelines on PDF.

B. Credit Life and Disability Policies Issued

The Company was requested to provide a list of all group credit policies issued during the experience period. The Company identified a universe of 20 credit life and disability policies issued. All 20 policies were requested, received and reviewed. The files were reviewed to ensure compliance with contract provisions, issuance and rating laws and regulations. No violations were noted.

C. Credit Disability Monthly Outstanding Balance Certificates Issued

The Company was requested to provide a list of all credit certificates issued during the experience period. The Company identified a universe of 365 credit disability monthly outstanding balance issued certificates. A random sample of 20 certificate files was requested, received and reviewed. The files were to be reviewed to ensure compliance with contract provisions, termination laws and regulations. No violations were noted.

D. Credit Life Monthly Outstanding Balance Certificates Issued

The Company was requested to provide a list of all credit certificates issued during the experience period. The Company identified a universe of 855 credit life monthly outstanding balance certificates issued. A random sample of 20 certificate files was requested, received and reviewed. The files were to be reviewed to ensure compliance with contract provisions, termination laws and regulations. No violations were noted.

E. Credit Disability Single Premium Certificates Issued

The Company was requested to provide a list of all single premium disability certificates issued during the experience period. The Company identified a universe of 3,970 credit disability single premium certificates issued. A random sample of 50 certificates was requested, received and reviewed. The files were reviewed to ensure compliance with contract provisions, issuance and rating laws and regulations. No violations were noted.

F. Credit Disability Single Premium Truncated Certificates Issued

The Company was requested to provide a list of all certificates issued used during the experience period. The Company identified a universe of 391 credit disability single premium truncated certificates issued. A random sample of 25 certificate files was requested. Of the requested files, 2 files were not received. The files were reviewed to ensure compliance with contract provisions, issuance, and rating laws and regulations. The following violations were noted:

2 Violations – Title 31 Pennsylvania Code, Section 73.133(h)

(h) Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request. The 2 files noted were not received for review.

G. Credit Life Single Premium Certificates Issued

The Company was requested to provide a list of all life certificates issued used during the experience period. The Company identified a universe of 3,850 single premium life certificates issued. A random sample of 50 certificate files was requested. Of the 50 certificate files requested, 47 were received and reviewed. The files were reviewed to ensure compliance with contract provisions, issuance, and rating laws and regulations. The following violations were noted:

3 Violations – Title 31, Pennsylvania Code, Section 73.133(h) Record of coverage.

(h) Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request. The 3 files noted were missing pertinent information.

H. Credit Life Single Premium Truncated Certificates Issued

The Company was requested to provide a list of all life certificates issued used during the experience period. The Company identified a universe of 577 single premium life certificates issued. A random sampling of 25 certificate files was requested, received and reviewed. The files were reviewed to ensure compliance with contract provisions, issuance, and rating laws and regulations. The following violations were noted:

3 Violations – Title 31, Pennsylvania Code, Section 73.133(h) Record of coverage.

(h) Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request. The 3 files noted were missing pertinent information.

I. Credit Disability Single Premium Certificates Terminated

The Company was requested to provide a list of all single premium disability certificates terminated during the experience period. The Company identified a universe of 3,727 credit disability single premium certificates terminated. A random sample of 50 certificate files was requested, received and reviewed. The files were reviewed to ensure compliance with contract provisions, termination laws and regulations, and proper return of any unearned premium. No violations were noted.

J. Credit Disability Single Premium Certificates Terminated

The Company was requested to provide a list of all credit disability single premium certificates terminated during the experience period. The Company identified a universe of 128 certificates terminated. A random sample of 25 certificate files was requested, received and reviewed. The files were reviewed to ensure compliance with contract provisions, termination laws and regulations, and proper return of any unearned premium. No violations were noted.

K. Credit Life Single Premium Certificates Terminated

The Company was requested to provide a list of all life certificates terminated during the experience period. The Company identified a universe of 3,549 credit life single premium certificates terminated. A random sample of 50 terminated certificates was requested, received and reviewed. The files were reviewed to ensure compliance with contract provisions, termination laws and regulations, and proper return of any unearned premium. No violations were noted.

L. Credit Life Single Premium Truncated Certificates Terminated

The Company was requested to provide a list of all life certificates terminated during the experience period. The Company identified a universe of 182 credit life single premium truncated certificates terminated. A random sample of 25 terminated certificates was requested, received and reviewed. The files were reviewed to ensure compliance with contract provisions, termination laws and regulations, and proper return of any unearned premium. No violations were noted.

M. Term Life Policies Issued

The Company was requested to provide a list of all policies issued during the experience period. The Company identified a universe of 1,243 term life policies issued. A random sample of 25 files was requested, received and reviewed. The policy files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. No violations were noted.

N. Universal Life Policies Issued

The Company identified a universe of 145 universal life policies issued during the experience period. A random sample of 25 universal life policy files was requested, received and reviewed. The policy files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. No violations were noted.

O. Term Life Policies Issued as Replacements

The Company identified a universe of 36 term life policies issued as replacements during the experience period. A random sample of 25 files was requested, received and reviewed. The replacement policy files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. No violations were noted.

P. Universal Life Policies Issued as Replacements

The Company identified a universe of 18 universal life policies issued as replacements during the experience period. All 18 universal life replacement files were requested, received and reviewed. The replacement policy files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. No violations were noted.

Q. Deferred Fixed Annuities Issued as Replacements

The Company identified a universe of 2 annuities issued as internal/external replacements, during the experience period. Both replacement files were requested, received, and reviewed. The annuity files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. No violations were noted.

R. Universal Life Conversions

The Company identified a universe of 85 universal life conversion policies issued during the experience period. A random sample of 25 universal life conversion files was requested, received and reviewed. The files were reviewed to determine compliance to issuance and underwriting statutes and regulations. No violations were noted.

IX. ACTIVE CREDIT GROUP AUDITS

The Company was requested to provide a list of their active credit group policyholders during the experience period. The Company identified a universe of 149 active credit group policies. A random sample of 50 active credit groups was selected for the Company to provide copies of the group's required annual examinations as well as copies of the Company's group master contracts. Of the requested audits and contracts, 4 of the active groups in the requested sample were inactive during the examination period. The Company did not provide any of the requested audits; however, they provided all 50 of the active group contracts. The audits and the group contracts were reviewed to ensure compliance with Title 31, Pennsylvania Code, Section 73.133. Subsections (e), (f), and (g) of Section 73.133 provides for the insurers responsibility in conducting an annual examination of creditors to ensure compliance and the requirements to establish and maintain written records of its creditor examination. The following violations were noted:

149 Violations – Title 31, Pennsylvania Code, Section 73.133(g), Claims and examination procedures.

(g) Record of examination. The insurer shall establish and maintain a written record of each creditor examination. This record shall be maintained for at least 3 years from the date of examination or until the conclusion of the next succeeding regular examination by the Department of its domicile, whichever is later. The 149 records of performed audits were not provided.

X. CLAIMS

The claims review consisted of a review of the Company's claim manuals and a review of the claim files. The Company was requested to provide copies of all procedural guidelines including all manuals, memorandums, directives and any correspondence or instructions used for processing claims during the experience period. The Company provided the following claim manuals:

1. Compliance Manual
2. Compliance Review Program
3. Direct Marketing Services Division-Baltimore Office, Section 35, Claims Handling
4. FMG-Annuity Products and Services (FMG was the former name as the area underwent a recent name change) Section 35, Claims Handling
5. Annuity Financial Partners-Cedar Rapids, Section 35.PDF
6. Direct Marketing Section-Atlanta Office, Section 35.DOC

The claim manuals and procedures (guidelines) were reviewed for any inconsistencies, which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature. No violations were noted.

The claim file review consisted of 11 areas:

- A. Credit Disability Claims Paid
- B. Credit Disability Claims Denied
- C. Credit Life Claims Paid
- D. Credit Life Claims Denied
- E. Individual Deferred Fixed Annuity Claims Paid
- F. Individual Term Life Claims Paid

- G. Individual Term Life Claims Denied
- H. Individual Universal Life Claims Paid
- I. Individual Universal Life Claims Denied
- J. Individual Whole Life Claims Paid
- K. Individual Whole Life Claims Denied

All claim files sampled were reviewed for compliance with requirements of the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171) and Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices. The life claims were additionally reviewed for compliance with Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b).

A. Credit Disability Claims Paid

The Company was requested to provide a list of claims received during the experience period. The Company identified a universe of 737 credit disability claims paid. A random sample of 25 claims was requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, and Chapter 146. No violations were noted.

B. Credit Disability Claims Denied

The Company was requested to provide a list of claims received during the experience period. The Company identified a universe of 39 credit disability claims denied. A random sample of 15 claims was requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, and Chapter 146. No violations were noted.

C. Credit Life Claims Paid

The Company was requested to provide a list of claims received during the experience period. The Company identified 72 credit life claims paid. A random sample of 25 credit life claims paid was requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b). No violations were noted.

D. Credit Life Claims Denied

The Company was requested to provide a list of claims received during the experience period. The Company identified 5 individual credit life claims denied. All 5 credit life claims were requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b). No violations were noted.

E. Individual Deferred Fixed Annuity Claims Paid

The Company was requested to provide a list of claims received during the experience period. The Company identified a universe of 7 individual deferred fixed annuity claims paid. All 7 claims were requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code Chapter 146. The following violation was noted:

1 Violation - Title 31, Pennsylvania Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of a claim, unless the investigation cannot reasonably be completed within the time. If the investigation cannot be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company failed to provide a timely status letter for the claim noted.

F. Individual Term Life Claims Paid

The Company was requested to provide a list of claims received during the experience period. The Company identified a universe of 13 individual term life claims paid. All 13 claims were requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code Chapter 146. The following violations were noted:

2 Violations - Title 31, Pennsylvania Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of a claim, unless the investigation cannot reasonably be completed within the time. If the investigation cannot be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company failed to provide timely status letters for the following claims.

1 Violation - Title 31, Pennsylvania Code, Section 146.7

Within 15 working days after receipt by the insurer of properly executed proofs of loss, the insurer shall advise the first-party claimant of the acceptance or denial of the claim. The Company failed to provide notice of acceptance or denial within 15 working days for the claim noted.

G. Individual Term Life Claims Denied

The Company was requested to provide a list of claims received during the experience period. The Company identified 1 individual term life claim denied. The individual term life claim was requested, received and reviewed. The claim file was reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b). No violations were noted.

H. Individual Universal Life Claims Paid

The Company was requested to provide a list of claims received during the experience period. The Company identified 23 individual universal life claims paid. All 23 individual life claims were requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b). The following violations were noted:

6 Violations - Title 31, Pennsylvania Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of a claim, unless the investigation cannot reasonably be completed within the time. If the investigation cannot be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company failed to provide a timely status letter for the 6 claims noted.

3 Violations- Title 31, Pennsylvania Code, Section 146.7

Within 15 working days after receipt by the insurer of properly executed proofs of loss, the first- party claimant shall be advised of the acceptance or denial of the claim by the insurer. The Company failed to provide notice of acceptance or denial within 15 working days for the 3 claims noted.

I. Individual Universal Life Claims Denied

The Company was requested to provide a list of claims received during the experience period. The Company identified 1 individual universal life claims denied. The individual universal life claim was requested, received and reviewed. The claim file was reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b). No violations were noted.

J. Individual Whole Life Claims Paid

The Company was requested to provide a list of claims received during the experience period. The Company identified 14 individual whole life claims paid. All 14 individual whole life claims paid were requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b). The following violations were noted:

3 Violations - Title 31, Pennsylvania Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of a claim, unless the investigation cannot reasonably be completed within the time. If the investigation cannot be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company failed to provide a timely status letter for the 3 claims noted.

3 Violations- Title 31, Pennsylvania Code, Section 146.7

Within 15 working days after receipt by the insurer of properly executed proofs of loss, the first- party claimant shall be advised of the acceptance or denial of the claim by the insurer. The Company failed to provide notice of acceptance or denial within 15 working days for the 3 claims noted.

K. Individual Whole Life Claims Denied

The Company was requested to provide a list of claims received during the experience period. The Company identified one individual whole life claim denied. The claim was requested, received and reviewed. The claim file was reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b). No violations were noted.

XI. RECOMMENDATIONS

The recommendations made below identify corrective measures the Department finds necessary as a result of the number of some violations, or the nature and severity of other violations, noted in the Report.

1. The Company must review and revise internal control procedures to ensure compliance with requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices.
2. The Company must review and revise Licensing procedures to ensure compliance with Section 671-A of the Insurance Department Act of 1921 (40 P.S. §§310.41a, 310.71 and 310.71a).
3. The Company must review and revise procedures to ensure compliance with record retention requirements of Title 31, Pennsylvania Code, Section 73.133(h).
5. The Company must implement procedures to ensure compliance with annual audit and examination record requirements of Title 31, Pennsylvania Code, Section 73.133(g).

XII. COMPANY RESPONSE

November 15, 2007

VIA FEDERAL EXPRESS

Daniel A. Stemcosky, Market Conduct Division Chief
Pennsylvania Insurance Department
1321 Strawberry Square
Harrisburg, PA 17120

Re: Life Investors Insurance Company of America
Examination Warrant Number: 0-M24-008

Dear Mr. Stemcosky:

Please find enclosed the Company's response to the Report of Examination of Life Investors Insurance Company of America.

The response has been prepared in the same format as the Report of Examination.

Thank you for the opportunity to provide the response. I look forward to working with you to conclude the examination.

Very truly yours,



Mary J. Tresnak
Associate General Counsel
Vice President – Compliance

Enclosure

**RESPONSE OF
LIFE INVESTORS INSURANCE COMPANY OF AMERICA**

To

Report of Examination

Prepared by the Pennsylvania Insurance Department

November 15, 2007

I. Introduction

Life Investors Insurance Company of America (hereinafter “the Company”) does not have any comments regarding this section of the Report of Examination.

II. Scope of Examination

The Company does not have any comments regarding this section of the Report of Examination.

III. Company History and Licensing

The Company respectfully requests that the third paragraph on page seven of the Report be amended as follows:

The Company offers life, annuity and health insurance, including a variety of credit insurance coverage including accident, health, life and disability. [Proposed new language underlined.]

The purpose of the proposed amendment is to clarify that the Company offers life, annuity and health insurance and not only credit insurance.

IV. Advertising

The Company does not have any comments regarding this section of the Report of Examination.

V. Forms

The Company does not have any comments regarding this section of the Report of Examination.

VI. Producer Licensing

Of approximately 295 producer records and new business files reviewed during the examination, one producer was listed on an application prior to the date of the producer’s appointment. This results in an error ratio of approximately .003%. Clearly, the low error ratio demonstrates this is not a general business practice of the Company.

The Company has systems and procedures in place to prevent insurance producers from acting on behalf of or as a representative of the Company unless appointed. The Company has reinforced with the new business and client service staff the requirements of Insurance Department Act, No. 147, Section 671-A (40 P.S. 310.71).

VII. Consumer Complaints

The Company does not have any comments regarding this section of the Report of Examination.

VIII. Underwriting

A. Underwriting Guidelines

The Company does not have any comments regarding this section of the Report of Examination.

B. Credit Life and Disability Policies Issued

The Company does not have any comments regarding this section of the Report of Examination.

C. Credit Disability Monthly Outstanding Balance Certificates Issued

The Company does not have any comments regarding this section of the Report of Examination.

D. Credit Life Monthly Outstanding Balance Certificates Issued

The Company does not have any comments regarding this section of the Report of Examination.

E. Credit Disability Single Premium Certificates Issued

The Company does not have any comments regarding this section of the Report of Examination.

F. Credit Disability Single Premium Truncated Certificates Issued

The Company concurs that it was unable to obtain two files from a creditor in response to the examination request. This is an 8% error ratio which is within the 10% error ratio set forth in the NAIC Market Conduct Examiners Handbook (1998). In addition, this is not a general business practice.

The Company has reminded its Pennsylvania credit accounts of their responsibility to maintain adequate credit insurance records for at least two years after the termination of an individual debtor's insurance coverage pursuant to Title 31 Pennsylvania Code, Section 73.133(h). Please find attached as **Exhibit A** a copy of the communication which was sent to all Pennsylvania creditor accounts.

G. Credit Life Single Premium Certificates Issued

The Company concurs that it was unable to obtain three files from a creditor in response to the examination request. This is a 6% error ratio which is within the 10% error ratio set forth in the NAIC Market Conduct Examiners Handbook (1998). In addition, this is not a general business practice.

The Company has reminded its Pennsylvania credit accounts of their responsibility to maintain adequate credit insurance records for at least two years after the termination of an individual debtor's insurance coverage pursuant to Title 31 Pennsylvania Code, Section 73.133(h). Please find attached as **Exhibit A** a copy of the communication which was sent to all Pennsylvania creditor accounts.

H. Credit Life Single Premium Truncated Certificates Issued

The Company does not have any comments regarding this section of the Report of Examination.

I. Credit Disability Single Premium Certificates Terminated

The Company does not have any comments regarding this section of the Report of Examination.

J. Credit Disability Single Premium Certificates Issued

The Company does not have any comments regarding this section of the Report of Examination.

K. Credit Life Single Premium Certificates Terminated

The Company does not have any comments regarding this section of the Report of Examination.

L. Credit Life Single Premium Truncated Certificates Terminated

The Company does not have any comments regarding this section of the Report of Examination.

M. Term Life Policies Issued

The Company does not have any comments regarding this section of the Report of Examination.

N. Universal Life Policies Issued

The Company does not have any comments regarding this section of the Report of Examination.

O. Term Life Policies Issued as Replacements

The Company does not have any comments regarding this section of the Report of Examination.

P. Universal Life Policies Issued as Replacements

The Company does not have any comments regarding this section of the Report of Examination.

Q. Deferred Fixed Annuities Issued as Replacements

The Company does not have any comments regarding this section of the Report of Examination.

R. Universal Life Conversions

The Company does not have any comments regarding this section of the Report of Examination.

IX. Active Credit Group Audits

The Company concurs that it did not perform audits of its creditors during the examination period.

The audit department for the Company's credit operations has implemented an audit plan to audit credit insurance accounts during the first policy year for new accounts and annually thereafter in compliance with Title 31, Pennsylvania Code, Section 73.133.

X. Claims

A. Credit Disability Claims Paid

The Company does not have any comments regarding this section of the Report of Examination.

B. Credit Disability Claims Denied

The Company does not have any comments regarding this section of the Report of Examination.

C. Credit Life Claims Paid

The Company does not have any comments regarding this section of the Report of Examination.

D. Credit Life Claims Denied

The Company does not have any comments regarding this section of the Report of Examination.

E. Individual Deferred Annuity Claims Paid

The Company implemented a change in its claim procedures so that status letters are sent in compliance with Title 31, Pennsylvania Code, Section 146.6.

F. Individual Term Life Claims Paid

The Company concurs that in two instances there was a delay in mailing status letters to claimants as required by Title 31, Pennsylvania Code, Section 146.6. The Company strongly believes these two instances are not reflective of the Company's normal claims practices and has provided additional training and implemented procedures to reinforce the requirement to provide a status letter every 45 days pursuant to Title 31, Pennsylvania Code, Section 146.6.

The Company concurs that in one instance it failed to provide notice of acceptance or denial within 15 working days of receipt of properly executed proofs of loss. This is not consistent with the Company's established claim handling standards. The Company has provided additional training and implemented procedures to reinforce the requirement that notification be provided to the claimant of acceptance or denial of a claim within 15 working days of receipt of properly executed proofs of loss pursuant to Title 31, Pennsylvania Code, Section 146.7.

A copy of a communication, dated January 31, 2007, setting forth the new procedures and reminding claim personnel of the time standards set forth in Title 31, Pennsylvania Code, Sections 146.6 and 146.7 is attached hereto as **Exhibit B**.

G. Individual Term Life Claims Denied

The Company does not have any comments regarding this section of the Report of Examination.

H. Individual Universal Life Claims Paid

The Company concurs that in six instances there was a delay in mailing status letters to claimants as required by Title 31, Pennsylvania Code, Section 146.6. The Company strongly believes these six instances are not reflective of the Company's normal claims practices and has provided additional training and implemented procedures to reinforce the requirement to provide a status letter every 45 days pursuant to Title 31, Pennsylvania Code, Section 146.6.

The Company concurs that in three instances it failed to provide notice of acceptance or denial within 15 working days of receipt of properly executed proofs of loss. This is not consistent with the Company's established claim handling standards. The Company has provided additional training and implemented procedures to reinforce the requirement that notification be provided to the claimant of acceptance or denial of a claim within 15 working days of receipt of properly executed proofs of loss pursuant to Title 31, Pennsylvania Code, Section 146.7.

A copy of a communication, dated January 31, 2007, setting forth the new procedures and reminding claim personnel of the time standards set forth in Title 31, Pennsylvania Code, Sections 146.6 and 146.7 is attached hereto as **Exhibit B**.

I. Individual Universal Life Claims Denied

The Company does not have any comments regarding this section of the Report of Examination.

J. Individual Whole Life Claims Paid

The Company concurs that in three instances there was a delay in mailing status letters to claimants as required by Title 31, Pennsylvania Code, Section 146.6. The Company strongly believes these three instances are not reflective of the Company's normal claims practices and has provided additional training and implemented procedures to reinforce the requirement to provide a status letter every 45 days pursuant to Title 31, Pennsylvania Code, Section 146.6.

The Company concurs that in three instances it failed to provide notice of acceptance or denial within 15 working days of receipt of properly executed proofs of loss. This is not consistent with the Company's established claim handling standards. The Company has provided additional training and implemented procedures to reinforce the requirement that notification be provided to the claimant of acceptance or denial of a claim within 15 working days of receipt of properly executed proofs of loss pursuant to Title 31, Pennsylvania Code, Section 146.7.

A copy of a communication, dated January 31, 2007, setting forth the new procedures and reminding claim personnel of the time standards set forth in Title 31, Pennsylvania Code, Sections 146.6 and 146.7 is attached hereto as **Exhibit B**.

K. Individual Whole Life Claims Denied

The Company does not have any comments regarding this section of the Report of Examination.

XI. Recommendations

1. The Department's allegations regarding Title 31 Pennsylvania Code, Chapter 146 arose from two of the Company's operating divisions. Each division implemented revisions to their respective procedures while the examiner was on site or advised that programming changes to an administrative system would be implemented.
2. The Department's allegations regarding Insurance Department Act, No. 147, Section 671-A (40 P.S. 310.71) involved 1 producer record out of 295 records reviewed resulting in an error ratio of approximately .003%. The Company has systems and procedures in place to prevent insurance producers from acting on behalf of or as a representative of the Company unless appointed. The Company has reinforced with the new business and client service staff the requirements of Insurance Department Act, No. 147, Section 671-A (40 P.S. 310.71).
3. The Department's allegations regarding the record retention requirements of Title 31, Pennsylvania Code, Section 73.133(h) have been addressed. Please see **Exhibit A**.
4. The audit department for the Company's credit operations has implemented an audit plan to audit credit insurance accounts during the first policy year for new accounts and annually thereafter in compliance with Title 31, Pennsylvania Code, Section 73.133. (Please note this item is numbered "5" in the Examination Report even though there are only four recommendations.)

Exhibit A

(To Agent)

Date

Agent Communique

Re: Insurance Record Retention

We rely on our accounts to maintain accurate records relative to the insurance products they make available.

In accordance with the account agreements, group master policyholders are required to retain copies of application or enrollment forms for all insureds for a minimum of seven years after termination or expiration of a certificate (or seven years following the close of any complaint or litigation generated by the certificate, if longer). These policyholders also must be able to provide copies of these documents to us upon request.

Enclosed is a communication intended for distribution to all accounts with group master policies for our credit and mortgage insurance products. Please distribute to the appropriate contacts within your accounts and confirm its receipt.

Once you have received confirmation that all of your affected accounts have received and understand these requirements, please sign, date and return the confirmation page also enclosed with this letter.

Should you have any questions or concerns about these requirements, please contact me at 1-800-521-1670, ext. 2377. Thank you for your assistance with these requirements.

Date: _____

Agent Name: _____

Signature: _____

Agency: _____

Address: _____

Number of Accounts Contacted: _____

Please accept this document as certification that all group master policyholders at accounts serviced by my agency have confirmed receipt of the record retention guidelines outlined in their service agreements.

Once completed, you may fax this form to the Client Services Department at 678-402-2124, or mail to 400 Galleria Parkway SE, Suite 1000, Atlanta, GA 30339.

(To Account)

Date

Re: Insurance Record Retention

We rely on your assistance in maintaining accurate records relative to the products underwritten by an AEGON-affiliated carrier that you offer your consumers.

In accordance with your account agreement, you are required to retain copies of application or enrollment forms for all insured's for a minimum of seven years after termination or expiration of a certificate (or seven years following the close of any complaint or litigation generated by the certificate, if longer). You also must be able to provide copies of these documents to us upon request.

Please confirm your receipt of these requirements by contacting your local agent.

Thank you for your assistance with these requirements.

Exhibit B

Date: January 31, 2007

Memo to: Claims Department

From: Mary, Laura and Pat

RE: PA claim notifications

Pennsylvania has a regulation which requires that a claim decision be made within 30 days after notification of a loss. If a claims decision cannot be made during the 30 days following notification, the regulation states that the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected.

Most often our process meets this requirement; however, there are times when the proofs of loss are not returned within this 30 day period or returned at the end of this defined period.

Moving forward, we will add the following procedure following any NOTIFICATION (telephone, mail or otherwise) from any claimant or insured that resides in Pennsylvania:

The Administrative Assistants will set up a file and registration number as is the current practice. However on the pending card please identify that this is a PA claimant/insured.

When this is complete and the initial letter of instruction for filing a claim is sent the Administrative Assistant will forward the file to the appropriate Examiner to follow-up.

Upon receipt of the file the Examiner will be responsible for a follow-up letter 25 days after the date of notification. Further instruction regarding this letter will be addressed in a separate memo in the next few days.

Should you have any questions regarding this procedure or the regulation please see Mary.

Just a reminder that PA also has a regulation that requires that within 15 working days after receipt by the insurer of properly executed proofs of loss the claimant shall be notified of the claims decision. The regulation further states: "If the insurer needs more time to determine whether a first-party claim should be accepted or denied, it shall so notify the first -party claimant within 15 working days after receipt of the proofs of loss giving the reasons more time is needed. If the investigation remains incomplete, the insurer shall, 30 days from the date of

the initial notification and every 45 days thereafter, send to the claimant a letter setting forth the reasons additional time is needed for investigation and state when a decision on the claim may be expected.”